



State of Washington
Department of Revenue

Excise Tax Advisory

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TAXABLE TRANSACTIONS BY AIRCRAFT DEALERS

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The following examples illustrate tax liability of aircraft dealers. All aircraft listed are held by taxpayer for resale and are ultimately sold at retail.

- 1.Plane A, purchased new, and used for demonstration purposes.
- 2.Plane B, purchased new, and used occasionally for non-scheduled air taxi services.
- 3.Plane C, purchased used and resold without being put to use.
- 4.Plane D, purchased new, and leased to another company.
- 5.Plane E, purchased new, and used for student training purposes occasionally.

A. Plane A is subject to Use Tax from time of first use upon its full value, if Sales Tax was not paid at time of purchase. In addition, upon sale of the plane, Retail Sales Tax must be collected on the full selling price and Retailing Business Tax reported. The Use Tax modification (see ETB 319.12.178) applies only when the aircraft is used for charter flights or training programs. All planes purchased in the calendar year and used as demonstrators are subject to Use Tax.

B. Plane B, used for air taxi service, is subject to Use Tax at time of first use. Retail Sales Tax must be collected when the aircraft is sold. Income from the air taxi service is taxable under the "Other Public Service Business" Public Utility Tax classification.

ETBS have been made Excise Tax Advisories, and have retained their old number. Advisories with a 2 (plus three digits) are new advisories, ETBs that have been revised and readopted after review under the Department's regulatory improvement program, or advisories that have been revised and/or readopted.

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C. Retail Sales Tax must be collected on the selling price of Plane C when sold. The gross proceeds of this sale are subject to the Business and Occupation Tax "Retailing" classification.

D. Plane D. Sales Tax is to be collected on monthly lease rental payments. "Retailing" Business Tax is due on such gross proceeds. The one exception would be that portion of bare rental income which an aircraft dealer can factually establish to be attributable to out-of-state use by the lessee. The dealer is permitted to deduct such attributable out-of-state use from the measure of the Sales Tax and Business Tax liability, but only where evidence, such as a flight log, is available for examination.

E. Since Plane E is used for student training, Use Tax is due from time of first use and when the plane is sold Retail Sales Tax and "Retailing" Business Tax must be reported. However, subsequent purchases of aircraft during the calendar year which are used similarly are not subject to further Use Tax. (See ETB 319.12.178.)